

June 25, 2013

Suzanne Elliott, Engagement Manager  
Louisiana Legislative Auditor  
1600 North Third Street  
P.O. Box 94397  
Baton Rouge, Louisiana 70804-9397

Reference: Resubmit of the 2012 Audit Report

Dear Ms. Elliott:

During the upload of our reports to the Louisiana Legislative Auditor, we inadvertently attached an incorrect version on the submission. We are resubmitting the final report. Please see attached.

If you have any questions, please feel free to contact me at 504-335-3242.

Sincerely,

Postlethwaite & Netterville



Lynne Burkart, CPA  
Director

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date AUG 07 2013

REISSUE

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**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Financial Statements and Schedules

December 31, 2012

With Independent Auditors' Report Thereon

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**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Financial Statements and Schedules**

**December 31, 2012**

**With Independent Auditors' Report Thereon**

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**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

December 31, 2012

**Table of Contents**

|  | <b>Page</b>   |
|--|---------------|
| <b>Independent Auditors' Report</b>    | <b>1-2</b>    |
| <b>Statement of Financial Position</b> | <b>3</b>      |
| <b>Statement of Activities</b>         | <b>4</b>      |
| <b>Statement of Cash Flows</b>         | <b>5</b>      |
| <b>Notes to Financial Statements</b>   | <b>6 - 22</b> |

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors  
University of New Orleans Research and Technology Foundation, Inc.

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the University of New Orleans Research and Technology Foundation, Inc., (a nonprofit organization) (the Foundation), which comprise the statement of financial position as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of New Orleans Research and Technology Foundation, Inc. as of December 31, 2012, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2013, on our consideration of the Foundation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Postlethwaite - Nettville*

Metairie, Louisiana  
May 30, 2013

**UNIVERSITY OF NEW ORLEANS**  
**RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Statement of Financial Position

As of December 31, 2012

Assets

|  |                              |
|--|------------------------------|
| <b>Current assets:</b>   |                              |
| Cash and cash equivalents (Note 1 and 17)  | \$ 8,357,726                 |
| Receivables (Note 3)   | 3,860,757                    |
| Financing lease receivable, current (Note 6 and 15)                              | 340,000                      |
| Investments, current (Note 2 and 6)  | 298,547                      |
| Other current assets   | 28,327                       |
| <b>Total current assets</b>  | <u><u>12,885,357</u></u>     |
| <b>Non-current assets:</b>   |                              |
| Investments (Note 2 and 6)   | 642,087                      |
| Financing lease receivable (Note 6 and 15)                                       | 34,395,000                   |
| Property and equipment, net of accumulated depreciation of \$26,778,318 (Note 4) | 72,796,237                   |
| Prepaid bond insurance, net of accumulated amortization of \$119,264 (Note 1)    | 477,736                      |
| Cost of bond issuance, net of accumulated amortization of \$103,598 (Note 1)     | 414,984                      |
| <b>Restricted non-current assets:</b>  |                              |
| Investments - bond funds (Note 2, 6, and 8)                                      | 3,123,778                    |
| <b>Total non-current assets</b>  | <u><u>111,849,822</u></u>    |
| <b>Total assets</b>  | <u><u>\$ 124,735,179</u></u> |

Liabilities and Net Assets

|   |                              |
|---|------------------------------|
| <b>Current liabilities:</b>                     |                              |
| Accounts payable and accrued liabilities        | \$ 1,185,493                 |
| Due to affiliates (Note 13)                     | 101,750                      |
| Prepaid rent                                    | 71,684                       |
| Amounts held in custody for others (Note 1)     | 57,848                       |
| Amounts held in custody for affiliates (Note 1) | 359,564                      |
| Interest payable                                | 643,941                      |
| Notes payable, current (Note 6 and 7)           | 271,438                      |
| Bonds payable, current (Note 6 and 8)           | 340,000                      |
| Other current liabilities                       | 5,184,715                    |
| <b>Total current liabilities</b>                | <u><u>8,216,433</u></u>      |
| <b>Non-current liabilities:</b>                 |                              |
| Notes payable (Note 6 and 7)                    | 6,082,563                    |
| Bonds payable (Note 6 and 8)                    | 37,360,000                   |
| Premium on sale of bonds (Note 8)               | 1,139,403                    |
| <b>Total non-current liabilities</b>            | <u><u>44,581,966</u></u>     |
| <b>Total liabilities</b>                        | <u><u>52,798,399</u></u>     |
| <b>Net assets:</b>                              |                              |
| Unrestricted                                    | 71,936,780                   |
| <b>Total net assets</b>                         | <u><u>71,936,780</u></u>     |
| <b>Total liabilities and net assets</b>         | <u><u>\$ 124,735,179</u></u> |

The accompanying notes are an integral part of this financial statement.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Statement of Activities  
For the year ended December 31, 2012

**Revenues and support:**

|  |                          |
|--|--------------------------|
| Federal grants and contracts                         | \$ 1,432,673             |
| Non-federal grants and contracts                     | 3,507,388                |
| Property operation                                   | 4,953,382                |
| Student housing (Note 13)                            | 1,937,324                |
| Investment earnings                                  | 49,157                   |
| Contributions:                                       |                          |
| UNO PHD Foundation (Note 13)                         | 1,632,210                |
| St. Claude Gallery (Note 9)                          | 145,500                  |
| Other revenues                                       | 84,334                   |
| <b>Total unrestricted revenues and other support</b> | <b><u>13,741,968</u></b> |

**Expenses:**

|  |                          |
|--|--------------------------|
| Program services:                          |                          |
| International programs                     | 741,290                  |
| Property operations                        | 6,271,928                |
| NCAM equipment                             | 460,329                  |
| Student housing                            | 1,953,539                |
| Grants and contracts                       | 2,076,072                |
| <b>Total program expenses</b>              | <b><u>11,503,158</u></b> |
| Supporting services                        | 2,145,204                |
| <b>Total expenses</b>                      | <b><u>13,648,362</u></b> |
| <b>Increase in unrestricted net assets</b> | <b>93,606</b>            |

|   |                             |
|---|-----------------------------|
| <b>Net assets, at beginning of year</b> | <b><u>71,843,174</u></b>    |
| <b>Net assets, at end of year</b>       | <b><u>\$ 71,936,780</u></b> |

The accompanying notes are an integral part of this financial statement.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Statement of Cash Flows

For the year ended December 31, 2012

Cash flows from operating activities:

|   |                  |
|---|------------------|
| Change in net assets  | \$ 93,606        |
| Adjustments to reconcile change in net assets<br>to cash flows from operating activities: |                  |
| Amortization of cost of bond issuance   | 17,286           |
| Amortization of bond premium  | (47,462)         |
| Bad debt  | 4,090            |
| Write off   | 401,788          |
| Depreciation expense  | 3,128,310        |
| Reduction of receivables from merger  | 511,008          |
| Contributions of property and equipment   | (2,288,718)      |
| Changes in assets and liabilities:  |                  |
| Receivables   | (97,212)         |
| Other current assets  | (3,673)          |
| Prepaid bond insurance  | 19,900           |
| Payables and accrued liabilities  | 217,219          |
| Due to affiliates   | (347,560)        |
| Prepaid rent  | (4,897)          |
| Amounts held in custody for others and affiliates   | 351,500          |
| Interest payable  | (122,270)        |
| Other current liabilities   | (6,404)          |
| Net cash provided by operating activities   | <u>1,826,511</u> |

Cash flows from investing activities:

|                                       |                    |
|---------------------------------------|--------------------|
| Maturities of investments             | 443,307            |
| Purchases of fixed assets             | <u>(1,545,736)</u> |
| Net cash used in investing activities | <u>(1,102,429)</u> |

Cash flows from financing activities:

|                                       |                  |
|---------------------------------------|------------------|
| Payments on notes payable             | (136,368)        |
| Receipts on capital leases            | 275,000          |
| Payments on bonds payable             | <u>(275,000)</u> |
| Net cash used in financing activities | <u>(136,368)</u> |

|  |                     |
|--|---------------------|
| Change in cash                                 | 587,714             |
| Cash and cash equivalents at beginning of year | <u>7,770,012</u>    |
| Cash and cash equivalents at end of year       | <u>\$ 8,357,726</u> |

**SUPPLEMENTAL NON-CASH FLOW DISLCOSURE:**

|   |                     |
|---|---------------------|
| Cash paid during the year for interest  | \$ <u>2,203,868</u> |
| Contributions of property and equipment | \$ <u>2,288,718</u> |

The accompanying notes are an integral part of this financial statement.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

**December 31, 2012**

**(1) Summary of Significant Accounting Policies**

**(a) History and Organization**

The University of New Orleans Research and Technology Foundation, Inc. (the Foundation), a registered non-profit corporation in Louisiana, was established on March 3, 1997 to accomplish the following purposes:

- 1) As its principal purpose, to support any and all appropriate programs, facilities and research and educational opportunities offered by the University of New Orleans (the University) and the University of Louisiana System (the UL System);
- 2) To promote and support the well-being and advancement of the University and all the colleges, schools, departments, and divisions comprising it, and to develop, expand, and improve the University's curricula, programs, and facilities so as to provide greater educational advantages and opportunities; encourage teaching, research, scholarship, and service, and increase the University's benefits to the citizens of the State of Louisiana, the United States of America and the world; be fulfilled and removed by actions of the Foundation pursuant to those stipulations;
- 3) To engage in scientific research carried on for the purpose of aiding a community or geographical area by attracting new industry to the community or area or by encouraging the development of or retention of, an industry in the community or area;
- 4) To promote the development of high technology industries and research in Louisiana;
- 5) To create, develop, construct, operate, manage and finance one or more research and technology parks, technology enterprise centers and other facilities and operations which promote development of research, development and high technology in Louisiana;
- 6) To increase employment opportunities in Louisiana;
- 7) To promote research and development in Louisiana;
- 8) To promote cooperation between the public and private sector with respect to research and development;
- 9) To attract nationally prominent scientists and researchers to the University;
- 10) To maximize research capabilities in Louisiana;
- 11) To solicit and accept, whether by way of outright, limited or conditional gifts, grants and bequests, in trust or otherwise, donations of all kinds, including property, both real and personal, whether principal or income, tangible or intangible, vested or contingent, for the purpose of providing funds or property for the general purposes of the corporation and for research, instructional activities, scholarships, public service activities, and such other designated benefits for the University and its faculty, staff and students as may be prescribed by donors or testators to the corporation;

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

**December 31, 2012**

**(1) Summary of Significant Accounting Policies (continued)**

**(a) History and Organization (continued)**

- 12) To exercise all such powers and authority as may be necessary for the accomplishment of the objectives and purposes herein set forth and to do any and all other things related to or connected therewith which are not forbidden by law.

Significant sources of revenue to the Foundation include grants, contracts, tenant rents, and property operations revenues and support to carry out these objectives.

The financial statements of the Foundation have been prepared on the accrual basis. The significant accounting policies followed in the preparation of the accompanying financial statements are described below.

**(b) Financial Statement Presentation**

The Foundation follows the provisions for not-for-profit organizations and includes three basic financial statements and the classifications of resources into three separate classes of net assets as follows:

- **Unrestricted net assets** - Net assets that are not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Foundation are included in this category. The Foundation has determined that any donor-imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Foundation, and therefore, the Foundation's policy is to record these net assets as unrestricted. Also, the Foundation considers the revenues received from the Cooperative Endeavor Agreements (the Agreements) to be exchange transactions, since each party to the Agreements receives and sacrifices something of approximately equal value.
- **Temporarily restricted net assets** - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the Foundation and/or the passage of time. The Foundation has no temporarily restricted net assets as of December 31, 2012.
- **Permanently restricted net assets** - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of the Foundation pursuant to those stipulations. The Foundation has no permanently restricted net assets as of December 31, 2012.

**(c) Cash and Cash Equivalents**

For the purposes of the Statement of Cash Flows, the Foundation considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

**(d) Amounts Held In Custody For Others and Affiliates**

Amounts held in custody for others consist of security deposits from building tenants. The tenants are required to pay a security deposit at the beginning of their lease. At December 31, 2012, security deposits total \$57,848.

Amounts held in custody for affiliates consist of amounts held for use of the University.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Financial Statements

December 31, 2012

**(1) Summary of Significant Accounting Policies (continued)**

**(e) *Receivables***

Accounts receivable and financing receivables are considered delinquent after a period of nonpayment of 90 days. Although credit risks associated with tenants for accounts receivable or lessees for financing receivables are considered minimal, a review is routinely made of accounts receivable balances, and provisions for doubtful accounts are made. In circumstances where management is aware of a specific inability to meet its financial obligations (e.g., bankruptcy filings), a specific reserve is recorded to reduce the receivable to the amount expected to be collected. For all others, an allowance for bad debts is established by management based on historical trends. Receivables are written off when management deems collectability is doubtful. Bad debt expense and any related recoveries are included in the Statement of Activities.

**(f) *Investments***

Investments in equity securities with readily determinable fair values and all investments in debt securities are measured at fair value in the statement of financial position. Income or loss on investments, including realized and unrealized gains and losses on investments, interest and dividends, is recorded in the Statement of Activities.

Realized gains and losses, and declines in value judged to be other than temporary, are included in net appreciation (depreciation) of investments. Realized gains and losses on the sales of securities are determined using the specific-identification method. A decline in the fair value of investments below cost that is deemed to be other than temporary results in a charge to change in net assets and the establishment of a new cost basis for the investment.

**(g) *Property and Equipment***

Assets acquired are stated at cost, net of accumulated depreciation. Assets donated are carried at fair market value on the date of donation, net of accumulated depreciation. Plant, property, and equipment with a unit cost of greater than \$5,000 and a useful life of greater than 1 year is capitalized and depreciated. Depreciation of buildings, furnishings, and equipment is provided over the estimated useful lives of the respective assets on the straight-line basis ranging from 3 to 10 years for vehicles and equipment to 10 to 40 years for building improvements and 30 to 40 years for buildings and associated structures.

Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. When items of property or equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in income.

**(h) *Bond Issuance Costs and Prepaid Bond Insurance***

Bond issuance costs and prepaid bond insurance incurred in the relationship to the bond indebtedness have been capitalized and are amortized over the life of the bond liability which is thirty years.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

**December 31, 2012**

**(1) Summary of Significant Accounting Policies (continued)**

**(i) *Impairment of Long-Lived Assets***

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flow from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the cost to dispose. The Foundation recorded no impairment during the year ended December 31, 2012.

**(j) *Income Taxes***

Income taxes have not been provided for in the financial statements as the Foundation was organized as a non-profit organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended, and is, therefore, of tax exempt status.

The Foundation applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50% likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, the Foundation has reviewed its tax positions and determined there were no outstanding or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities. Therefore, the implementation of this standard has not had a material effect on the Foundation. The Foundation's tax returns for the year ended December 31, 2012, the period ended December 31, 2011, and the years ended June 30, 2011 and 2010 remain open and subject to examination by taxing authorities. The Foundation's tax return for the year ended December 31, 2012 has not yet been filed.

**(k) *Use of Estimates***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives of fixed assets, the valuation of fixed assets, and investments.

**(l) *Functional Allocation of Expenses***

The costs of providing the various programs and activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

**December 31, 2012**

**(2) Investments**

Investment income for the year ended December 31, 2012 consists of \$49,157 in interest and dividends. There are no realized gains or losses and investment expenses incurred during the year ended December 31, 2012.

Investments consist of the following at December 31, 2012:

|                                      |                     |
|--------------------------------------|---------------------|
| Current:                             |                     |
| Short-term investments               | \$ 68,547           |
| Certificates of deposit              | <u>230,000</u>      |
|                                      | <u>298,547</u>      |
| Non-current:                         |                     |
| Certificates of deposit, non-current | 642,087             |
| Bond reserves                        | <u>3,123,778</u>    |
|                                      | <u>3,765,865</u>    |
| Total                                | <u>\$ 4,064,412</u> |

Bond reserves represent those amounts that are maintained by the bond trustee for debt service reserves. These amounts are classified as restricted noncurrent assets in the Statement of Financial Position.

**(3) Receivables**

Receivables consist of the following at December 31, 2012:

|                               |                     |
|-------------------------------|---------------------|
| Accounts receivable           | \$ 811,556          |
| Grants receivable             | 421,705             |
| Due from affiliates           | 252,979             |
| Tenants receivables           | 275,380             |
| Insurance proceeds receivable | <u>2,099,137</u>    |
| Total                         | <u>\$ 3,860,757</u> |

Due from affiliates represents amounts due from the University of New Orleans and the University of New Orleans Foundation.

There is no allowance recorded on the receivables above as of December 31, 2012.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

**December 31, 2012**

**(4) Property and Equipment**

Property and equipment consist of the following at December 31, 2012:

| <u>Description</u>               |                      |
|----------------------------------|----------------------|
| Land improvements                | \$ 258,573           |
| Building - Avondale              | 12,754,737           |
| ITC Buildings and parking garage | 57,109,257           |
| Building - ATC                   | 8,741,151            |
| Building - Shea Penland          | 894,842              |
| Building - NCAM                  | 13,529,453           |
| St. Claude Gallery               | 145,500              |
| Homer Hitt Alumni Center         | 2,143,218            |
| Construction in progress         | 3,473,554            |
| Office furniture and equipment   | 78,741               |
| Tenant improvements              | <u>445,529</u>       |
| Total fixed assets               | 99,574,555           |
| Accumulated depreciation         | <u>(26,778,318)</u>  |
| Net fixed assets                 | <u>\$ 72,796,237</u> |

Depreciation expense for the year ended December 31, 2012 totals \$3,128,310.

**(5) Cooperative Endeavor Agreements**

**University of New Orleans/ Avondale Maritime Technology Center of Excellence**

General

On May 16, 1997, the State of Louisiana (the State), the Board of Supervisors for the University of Louisiana System (the University), the Foundation, and Huntington Ingalls Industries (Huntington) (a successor of Avondale Industries, Inc.) entered into a Cooperative Endeavor Agreement (the Agreement) for an initial term of fifteen years, and from one-to-seven additional five year period extensions.

The Agreement and related amendment provided for the use of annually appropriated State funds and the corporate guarantee by Avondale of certain financial obligations incurred by the Foundation for the purpose of enhancing or maintaining the economic well-being of the State of Louisiana. As a material inducement to the State to enter into the Agreement, Avondale represented that it was awarded a contract for the construction of certain U. S. Department of Navy vessels which will provide a substantial economic benefit to the State. As of May 16, 2012, this agreement has expired.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Financial Statements

December 31, 2012

**(5) Cooperative Endeavor Agreements (continued)**

**University of New Orleans/ Avondale Maritime Technology Center of Excellence (continued)**

**Obligations**

Huntington donated certain property to the University which is leased to the Foundation pursuant to the terms of a Ground Lease. A ship design facility (Facility), including a laboratory and support area for the UNO School of Naval Architecture and Marine Engineering, has been built on such property by the Foundation and is sub-leased to Huntington. Also, the Foundation has equipped the Facility and leased such equipment to Huntington. Huntington agreed that it will utilize the Facility for the design and construction of vessels pursuant to the Navy LPD-17 Contract and other contracts. Furthermore, Avondale agrees that it will provide support to the University of New Orleans School of Naval Architecture and Marine Engineering by providing to the University a Right of Use of space constituting 21,000 square feet in the Facility subleased by Avondale from the Foundation.

On May 16, 1997, the Foundation and Huntington entered into a sub-lease agreement which provides for Huntington to lease from the Foundation the land located in Jefferson Parish together with the facilities to be constructed on the land, the facility equipment and the right of uninterrupted access to and from all streets and roads adjoining the land.

The terms of the sub-lease agreement provide that Huntington will pay as rental sum the amount of \$100,000 by September 1<sup>st</sup> of each year for a term of 50 years which expires in 2047 without regard to the State Appropriation, which is included in property operation revenue in the Statement of Activities. This property is subject to the ground lease in Note 10.

**National Center for Advanced Manufacturing/NASA Facilities Modifications and Equipment Acquisition**

**General**

Effective July 15, 2007, the State, the University, the Foundation, and the National Aeronautics and Space Administration's George C. Marshall Space Flight Center (NASA) entered into a Cooperative Endeavor Agreement (the Agreement) for an initial term of ten years with options for four additional five year periods.

The Agreement provides for the use of a State appropriation to fund an approximately \$20 million expansion of the National Center for Advanced Manufacturing (NCAM), of which the University is part of the consortium, located in NASA's Michoud Assembly Facility in New Orleans (MAF), to include the purchase of new equipment by the State and the completion of facilities modifications made by the Foundation to MAF to accommodate installation and operation of the new equipment.

**Obligations**

The Foundation arranged for the design and construction of the MAF facilities modifications to support the installation of the new equipment. As of October 2011, NASA assumed management and leasing responsibilities for the use of the NCAM equipment.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

**December 31, 2012**

**(5) Cooperative Endeavor Agreements (continued)**

**National Center for Advanced Manufacturing/NASA Facilities Modifications and Equipment Acquisition (continued)**

**Obligations (continued)**

The facilities are recorded in property and equipment in the Statement of Financial Position, comprising \$13,529,453, as of December 31, 2012. The remaining net book value of the facilities and equipment is \$11,708,181 as of December 31, 2012.

The Foundation is the fiscal agent for the University related to transactions with NASA, and as such, the Foundation receives an administrative fee related to this function which is included in federal grants and contracts in the Statement of Activities.

**National Center for Advanced Manufacturing/MAF Research Administration Building**

**General**

On December 18, 2007, the State, the Foundation, and NASA entered into another Cooperative Endeavor Agreement (the CEA) for a period of thirty (30) years.

The CEA provides for the use of State funds to pay approximately \$40 million of project costs associated with the planning, design, construction and equipping of a new NASA Research Administration Building (the Building) to be built at MAF. The Building will be used collaboratively by the Foundation and NASA for research and development administration, production work on the Orion Project, education, training and related matters for NASA, its contractors, the University, other Federal and State agencies, other higher educational institutions and private industry.

**Obligations**

As of December 31, 2012, the activities related to this project are placed on hold by the State of Louisiana. The Foundation has incurred \$705,986 in construction in progress as of December 31, 2012 related to this CEA. Management will reassess this project annually to determine if such costs are impaired. As of December 31, 2012, no impairment has been recognized by the Foundation.

**Memorandum of Understanding related to National Center for Advanced Manufacturing**

**General**

In a memorandum of understanding dated October 25, 2012, the Foundation agreed to receive a portion of the State of Louisiana's recovery costs associated with the NCAM consortium subject to an annual cap of \$30,000 for administrative costs associated with serving as fiscal agent for the University of New Orleans.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Financial Statements

December 31, 2012

**(5) Cooperative Endeavor Agreements (continued)**

**Memorandum of Understanding related to National Center for Advanced Manufacturing  
(continued)**

**Obligations**

The Foundation shall seek support for NCAM activities from appropriate public and private sources, and work with NASA to develop a long-term agreement for the NCAM/Michoud Assembly Facility to accommodate University of New Orleans access for NCAM education and outreach activities.

**(6) Fair Value of Financial Instruments**

The Financial Accounting Standard Board ("FASB") authoritative guidance for fair value measurements defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The guidance also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs when measuring fair value. The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. The three levels of the fair value hierarchy under the guidance are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Foundation has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value.

*Federated treasury obligations:* Valued at the closing price reported on the active market on which the individual securities are traded.

*Certificates of deposit:* Valued at cost plus accrued interest, which approximates fair value.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Financial Statements

December 31, 2012

**(6) Fair Value of Financial Instruments (continued)**

Furthermore, while the Foundation believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Foundation's investment assets at fair value as of December 31, 2012. There have been no changes in the methodologies used at December 31, 2012.

|                                | <u>Level 1</u>      | <u>Level 2</u>    | <u>Level 3</u> | <u>Total</u>        |
|--------------------------------|---------------------|-------------------|----------------|---------------------|
| Federated treasury obligations | \$ 3,192,325        | \$ -              | \$ -           | \$ 3,192,325        |
| Certificates of deposit        | -                   | 872,087           | -              | 872,087             |
| Total assets at fair value     | <u>\$ 3,192,325</u> | <u>\$ 872,087</u> | <u>\$ -</u>    | <u>\$ 4,064,412</u> |

The following table summarizes the valuation of the Foundation's financial instruments measured at fair value as of December 31, 2012.

|                            | <u>Carrying<br/>Value</u> | <u>Fair<br/>Value</u> | <u>Level</u>  |
|----------------------------|---------------------------|-----------------------|---------------|
| <b>Assets:</b>             |                           |                       |               |
| Financing lease receivable | \$ 34,735,000             | \$ 37,032,137         | Level 3       |
| Investments                | 4,064,412                 | 4,064,412             | Level 1 and 2 |
| <b>Liabilities:</b>        |                           |                       |               |
| Bonds payable              | 37,700,000                | 40,193,222            | Level 3       |
| Notes payable              | 6,354,001                 | 6,565,057             | Level 3       |

**(7) Notes Payable**

**Louisiana Public Facilities Authority Note Payable**

On October 19, 1999, the Foundation entered into a Construction Loan Agreement in the amount of \$1,500,000 with the Louisiana Public Facilities Authority. The loan bears no interest. The first annual payment was due October 1, 2001 and continues through October 1, 2014. The payments are conditioned upon the establishment of a \$500,000 operating reserve. At December 31, 2012, the balance of the operating reserve was \$342,347. Each annual payment shall be equal to 87.35% of the net cash flow relative to the Advanced Technology Center for the immediate preceding fiscal year. As of December 31, 2012, the Foundation has made payments totaling \$112,016 in principal on the note. The carrying amount of the note is \$1,387,984 as of December 31, 2012. Depending on future net cash flow, an anticipated final payment of the full amount will be due on October 1, 2014.

This note has debt covenants which are required to be met by the Foundation, including submission of audited financial statements within 180 days of year end. The Foundation is in compliance with the debt covenants as described.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Financial Statements

December 31, 2012

**(7) Notes Payable (continued)**

**Louisiana Public Facilities Authority Note Payable**

The note is collateralized by a collateral note signed by the Foundation in the amount of \$2,000,000, which is secured by a first lien and security interest in all of the Foundation's accounts receivable, inventory, and fixtures as well as an assignment of leases and rents, and the ATC building, which is included in property and equipment in the Statement of Financial Position and has a net book value of \$6,243,536 at December 31, 2012.

**Local Bank Note Payable 1**

On April 19, 2001, the Foundation entered into a Loan Agreement with a local bank. The balance of the loan at December 31, 2012 is \$4,400,848. The loan bore an interest rate of 7.25% with an annual payments beginning in 2001 and continuing through January 19, 2011; however, in 2011 the loan was amended with an interest rate of 6.5% to mature on April 12, 2016, at which time the remaining unpaid balance of principal and interest will be due. Monthly payments of principal and interest total \$41,416. Although the amendment to the loan covers a five year period, the loan payments are based on a fifteen year amortization schedule resulting in a payment in the amount of \$3,673,403, representing all outstanding principal and interest, which is due on April 12, 2016.

This note has debt covenants which are required to be met by the Foundation, including submission of audited financial statements within 90 days of year end which was waived by the bank for fiscal year 2012, a debt service coverage ratio of 1.1 to 1, the outstanding principal to exceed 75% of the fair market value, as appraised of the related property, as well as other negative covenants. The Foundation is in compliance with the debt covenants as described.

The note is collateralized by a collateral note signed by the Foundation in the amount of \$12 million, which is secured by a first lien and security interest in all of the Foundation's accounts receivable, inventory, and fixtures as well as an assignment of leases and rents, and the ATC building, which is included in property and equipment in the Statement of Financial Position and has a net book value of \$6,243,536 at December 31, 2012.

**Local Bank Note Payable 2**

On December 23, 2009, the Foundation entered into a loan agreement in the amount of \$1,162,521 with a local bank. The loan bears an interest rate of 3.75%. Monthly payments of \$6,548 will continue through the maturity date of December 23, 2014, which requires a final payment of \$453,285. The balance of the loan at December 31, 2012 is \$565,169. This note has debt covenants which are required to be met by the Foundation, including a certificate of deposit with the lender in the amount of \$500,000 for the life of the loan, which bears fixed interest at 3% per annum. If the balance of the certificate of deposit should fall below the stipulated amount, the interest rate on the note payable will increase to 7%. The certificate of deposit was recorded in non-current investments on the Statement of Financial Position, as of December 31, 2012.

This note has other debt covenants, including submission of audited financial statements within 180 days of year end, and other negative covenants. The Foundation is in compliance with the debt covenants as described.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Financial Statements

December 31, 2012

**(7) Notes Payable (continued)**

**Local Bank Note Payable 2 (continued)**

The note is collateralized by the Homer Hitt Alumni Center, which is included in property and equipment in the Statement of Financial Position and has a net book value of \$2,143,218 at December 31, 2012.

**Future Payments**

The following is a summary of all notes payable at December 31, 2012:

|                                       |                            |
|---------------------------------------|----------------------------|
| Louisiana Public Facilities Authority | \$ 1,387,984               |
| Local banks                           | <u>4,966,017</u>           |
| Total                                 | <u><u>\$ 6,354,001</u></u> |

The notes are required to be repaid as follows for the next five years and thereafter:

|      |                            |
|------|----------------------------|
| 2013 | \$ 271,438                 |
| 2014 | 2,122,898                  |
| 2015 | 243,313                    |
| 2016 | <u>3,716,352</u>           |
|      | <u><u>\$ 6,354,001</u></u> |

**(8) Bonds Payable**

On August 8, 2006, the Louisiana Public Facilities Authority issued \$38,500,000 of Louisiana Public Facilities Authority Revenue Bonds (Series 2006) to the public on behalf of the Foundation. The proceeds of the bonds were used for the financing, planning, design, construction, furnishing and equipping of resident facilities for use by the University, including all equipment, furnishings, fixtures and facilities incidental or necessary in connection therewith. The proceeds were also used to pay the costs associated with the issuance of the bonds.

The bond agreement provides for interest on the outstanding bonds at rates ranging from 3.75% to 5.25% per annum. Interest is paid semi-annually, and principal is paid annually.

This bond has debt covenants which are required to be met by the Foundation, including the maintenance of bond reserves for debt service reserves (see Note 2), as well as other negative covenants. Additionally, the bond is collateralized by the resident facilities which are recorded as a financing lease receivable from the University (see Note 15). The Foundation is in compliance with the debt covenants as described.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Financial Statements

December 31, 2012

**(8) Bonds Payable (continued)**

The outstanding bonds, which were purchased at a premium and accrued interest, are required to be repaid as follows for the next five years and thereafter.

|           |                      |
|-----------|----------------------|
| 2013      | \$ 340,000           |
| 2014      | 405,000              |
| 2015      | 480,000              |
| 2016      | 550,000              |
| 2017      | 625,000              |
| 2018-2022 | 4,405,000            |
| 2023-2027 | 7,105,000            |
| 2028-2032 | 10,375,000           |
| 2033-2037 | <u>13,415,000</u>    |
|           | <u>\$ 37,700,000</u> |

Bond funds totaling \$3,123,778 have been deposited with the bond trustee at December 31, 2012. The bonds were issued at a premium, which totaled \$1,400,442 at the bond issuance date. The premium will be amortized over the life of the bonds. The total amount of premium amortized during year ended December 31, 2012 was \$47,462, and the unamortized premium at December 31, 2012 was \$1,139,403.

**(9) St. Claude Gallery**

During the year ended December 31, 2012, the Foundation received a private donation of the property to house an urban art gallery. The Foundation is required to make the property available to the University. To the extent the University and Foundation no longer desire to use the property as an urban art gallery, the property shall be sold and the proceeds used to support the University's programs in Fine Arts. The fair value of the gallery of \$145,500 is included in contributions on the Statement of Activities.

**(10) Ground Leases**

**University of New Orleans Ground Lease 1**

On May 16, 1997, the University of New Orleans (the University) entered into a non-transferable ground lease agreement with the Foundation. The terms of the lease agreement provides that the University will lease a tract of approximately 4.57 acres of land that is located in Jefferson Parish to the Foundation who will in turn develop construct, maintain, operate, manage, and lease improvements on such land for the purpose set forth in the Cooperative Endeavor Agreement. The lease agreement is for a term of fifty years with annual rent totaling \$100.

At the expiration of the lease, the facilities and all furniture, fixtures, equipment, and furnishings permanently affixed to the facilities shall become the property of the University which is recorded in property and equipment in the Statement of Financial Position, with a remaining net book value of \$8,037,354 as of December 31, 2012.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

December 31, 2012

**(10) Ground Leases (continued)**

**University of New Orleans Ground Lease 2**

On December 1, 1997, the University entered into a non-transferable ground lease agreement with the Foundation. Such agreement was amended on October 1, 1999. The terms of the lease agreement and related amendment provide that the University will lease a tract of approximately 30 acres of certain lakefront property and three acres of land on the University of New Orleans East Campus that are located in Orleans Parish to the Foundation who will develop, construct, maintain, operate, manage, and/or lease improvements on such land. The lease agreement is for a term of ninety-nine years with annual rent totaling \$10,000 provided, however, that the rent payments will be offset dollar-for-dollar by property operating expenses paid for by the Foundation. An amendment to the lease was signed that irrespective of the money expended in satisfaction of the obligations, a cash rental of \$1,300 will be paid each year as rent due.

At the expiration of the lease, the facilities and all furniture, fixtures, equipment, and furnishings permanently affixed to the facilities shall become the property of the University. The facilities and related fixtures, equipment, and furnishings are recorded in property and equipment in the Statement of Financial Position, with a remaining net book value of \$46,201,893 as of December 31, 2012.

**(11) Other Lease Agreements**

On January 15, 1998, the Foundation entered into a sub-lease agreement with the United States of America (the Government) to lease space at the Information Technology Center from the Foundation, approximately 300,000 square feet of administrative space, 1,050 hard surface parking spaces, and 11.82 acres of land located at the University of New Orleans Research and Technology Park. The terms of the facility lease agreement provide that the Government will have and hold the noted facility for the term beginning on the date of completion of the facility for an initial ten year term with fifteen individual one year renewal terms. The lease is renewed annually. The annual rent for the premises and maintenance services is \$2,462,634 for the year ended December 31, 2012.

**(12) Future Lease Rent**

Future rent from all lease agreements is as follows. The schedule below does not include the future rent to be received from the Huntington arrangement described in Note 5 of \$100,000 per year through 2047.

|      |                     |
|------|---------------------|
| 2013 | \$ 757,499          |
| 2014 | 297,304             |
| 2015 | 254,417             |
| 2016 | 254,417             |
| 2017 | <u>36,062</u>       |
|      | <u>\$ 1,599,699</u> |

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

**December 31, 2012**

**(13) Due To/From Affiliates/Related Party Transactions**

**University of New Orleans Foundation**

University of New Orleans Foundation (UNOF) provides certain payroll management functions to the Foundation for a monthly fee, and also pays certain administrative expenses on the Foundation's behalf. During the year ended December 31, 2012, the Foundation incurred \$1,144,116 for the aforementioned services and expenses, as well as support for the Official Residence of the President of the University, and reported a balance due to UNOF of \$90,306 at December 31, 2012. The Foundation includes revenues from UNOF of \$373,997 for support and administration and \$44,645 for the Nims Center in non-federal grants and contracts in the Statement of Activities for 2012, as well as \$168,540 in subsidies from UNOF which were passed through from the University during 2012.

**University of New Orleans**

The Foundation enters into certain contracts, and makes the related contract payments, on behalf of the University. The University reimburses the Foundation for contract payments made on its behalf. The University also makes payments to the Foundation for property management.

During the year, the University incurred \$3,003,070 related to the aforementioned contract payments and property management services which includes \$1,937,324 in student housing revenue, \$304,077 in property operation revenue, and \$761,669 in non-federal grants and contracts in the Statement of Activities. The balance due from the University related to these payments and services total \$252,979 at December 31, 2012. Expenses to the University total \$143,245, and payables to the University are \$11,444 as of December 31, 2012, as recorded in the Statement of Financial Position.

**University of New Orleans Property, Housing and Development Foundation**

During the year ended December 31, 2012, the University of New Orleans Property, Housing and Development Foundation (PHD) merged with the Foundation. All assets and liabilities belonging to PHD were acquired by the Foundation, with the excess of assets over liabilities recorded as a contribution of \$1,632,210 which is shown in contributions on the Statement of Activities.

**(14) National Collegiate Athletic Association**

The Foundation has an affiliation agreement with the University which requires the presentation of a supplemental schedule illustrating revenue, support, expenses, and capitalized expenditures made to or on behalf of the University's Intercollegiate Athletics Program for the National Collegiate Athletic Association. During the year ended December 31, 2012, the Foundation incurred no such amounts.

**(15) Financing Lease Receivable**

The Foundation entered into a ground lease dated August 8, 2006, with the University for the purpose of financing, planning, constructing, and equipping a student residence facility. Pursuant to a facility lease, the Foundation leased the completed facility to the University. Rent payments from the University are sufficient to pay debt services on the Series 2006 Bonds and other related costs, which is collateralized by the student residence facility.

The lease was determined to meet the requirements of a financing lease and as such, the asset was then transferred from construction in progress to a financing lease receivable.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Notes to Financial Statements

December 31, 2012

**(15) Financing Lease Receivable (continued)**

The total financing lease receivable is required to be repaid as follows for the next five years and thereafter.

|           |                      |
|-----------|----------------------|
| 2013      | \$ 340,000           |
| 2014      | 405,000              |
| 2015      | 480,000              |
| 2016      | 550,000              |
| 2017      | 625,000              |
| 2018-2022 | 4,405,000            |
| 2023-2027 | 7,105,000            |
| 2028-2032 | 10,375,000           |
| 2033-2037 | <u>10,450,000</u>    |
|           | <u>\$ 34,735,000</u> |

**(16) Expenses**

Expenses by natural classification have been incurred for the following:

| <u>Function</u>             |                      |
|-----------------------------|----------------------|
| Amortization                | \$ 17,286            |
| Bad debt                    | 4,090                |
| Depreciation                | 3,128,310            |
| Interest expense            | 2,203,868            |
| Rentals and leases          | 530,344              |
| Equipment                   | 457,333              |
| Consulting and legal fees   | 405,267              |
| Contract services           | 3,153,445            |
| Building related operations | 2,532,935            |
| University/affiliates       | 377,575              |
| Other operating expenses    | <u>837,909</u>       |
|                             | <u>\$ 13,648,362</u> |

**(17) Concentrations of Risk and Contingencies**

Funds on deposits in financial institutions exceed FDIC insurance limits by \$7,884,036 at December 31, 2012. The Federal Deposit Insurance Corporation (FDIC) provided unlimited insurance coverage for non-interest bearing accounts as of December 31, 2012. At January 1, 2013, this insurance coverage was reduced to \$250,000 for non-interest bearing accounts; in the event of a failure of the institution, the FDIC is not obligated to pay uninsured deposits.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Financial Statements**

**December 31, 2012**

**(17) Concentrations of Risk and Contingencies (continued)**

The Foundation is involved in certain claims and legal actions arising in the normal course of activities. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Foundation's financial position.

**(18) Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 30, 2013, and determined that there were no subsequent events requiring disclosure.

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**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

Single Audit Report

December 31, 2012

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**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Single Audit Report**

**December 31, 2012**

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**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

December 31, 2012

**Table of Contents**

|  | <b>Page</b> |
|--|-------------|
| Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> | 1-2         |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133   | 3-5         |
| Schedule of Expenditures of Federal Awards   | 6           |
| Notes to the Schedule of Expenditures of Federal Awards  | 7-8         |
| Schedules of Findings and Questioned Costs:  |             |
| Schedule 1 – Summary of the Independent Auditors' Results  | 9           |
| Schedule 2 – Financial Statement Findings  | 10          |
| Schedule 3 – Federal Award Findings  | 10          |
| Schedule of Prior Year Findings and Questioned Costs   | 11          |

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON  
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors  
University of New Orleans Research and Technology Foundation  
New Orleans, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the University of New Orleans Research and Technology Foundation (a nonprofit organization) (the Foundation), which comprise the statement of financial positions as of December 31, 2012, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Foundation's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Foundation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Foundation's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Foundation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & McHvillie*

May 30, 2013  
Metairie, Louisiana

**Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by OMB Circular A-133**

To the Board of Directors  
University of New Orleans Research and Technology Foundation  
New Orleans, Louisiana

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of University of New Orleans Research and Technology Foundation, Inc. (the Foundation) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. The Foundation's major federal programs are identified in the Summary of Independent Auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the Foundation's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Foundation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Foundation's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Foundation complied, all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Finding 2012-1. Our opinion on each major federal program is not modified with respect to this matter.

The Foundation's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Foundation's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### Report on Internal Control Over Compliance

Management of the Foundation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit, we considered the Foundation's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Foundation's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses deficiencies or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Schedule of Expenditures of Federal Awards

We have audited the consolidated financial statements of the Foundation as of and for the year ended December 31, 2012, and have issued our report thereon dated May 30, 2013. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements taken as a whole.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postathwaite & Metairie*

May 30, 2013  
Metairie, Louisiana

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Schedule of Expenditures of Federal Awards**

**For the year ended December 31, 2012**

| <u>Federal Grantor/Program Name</u>  | <u>Federal CFDA<br/>or Other Number</u> | <u>Pass-Through<br/>Entity's Number</u> | <u>Federal<br/>Expenditures</u> |
|--|---|---|---------------------------------|
| <u>U.S. National Aeronautics Space Administration</u>                          |   |   |                                 |
| <i>Research and Development Cluster</i>  |   |   |                                 |
| <i>Direct Awards</i>   |   |   |                                 |
| The Development of Innovative Advanced<br>Composite Manufacturing Technologies | 43.NNM07AA14A                           | N/A                                     | <u>\$ 233,044</u>               |
| Total U.S. National Aeronautics and Space Administration                       |   |   | <u>233,044</u>                  |
| <u>U.S. Environmental Protection Agency</u>                                    |   |   |                                 |
| <i>Research and Development Cluster</i>  |   |   |                                 |
| <i>Direct Awards</i>   |   |   |                                 |
| Congressionally Mandated Projects  | 66.202                                  | N/A                                     | 229,316                         |
| Lake Pontchartrain Basin Restoration Program (PRP)                             | 66.125                                  | N/A                                     | <u>1,156,748</u>                |
| Total U.S. Environmental Protection Agency                                     |   |   | <u>1,386,064</u>                |
| Total Expenditures of Federal Awards   |   |   | <u><u>\$ 1,619,108</u></u>      |

See accompanying independent auditor's report.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Schedule of Expenditures of Federal Awards**

December 31, 2012

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal grant activity of the University of New Orleans Research and Technology Foundation (the Foundation) under programs of the federal government for the year ended December 31, 2012. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the Foundation, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Foundation.

**(2) Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

**(3) Sub-recipients**

During the year ended December 31, 2012, federal expenditures presented in the Schedule were disbursed to various sub-recipients as follows:

| <u>CFDA Number</u> | <u>Program Name Amount</u>                   | <u>Provided to Sub-recipients</u> |
|--------------------|--|-----------------------------------|
| 66.202             | Congressionally Mandated Projects            | \$220,562                         |
| 66.125             | Lake Pontchartrain Basin Restoration Program | \$1,112,258                       |

**(4) Relationship to Financial Statements**

Federal revenues are included in the Statement of Activities in the category Federal grants and contracts. Federal expenditures for which the Foundation serves as fiscal agent based on the terms of the agreement with the granting agencies, which are not recorded in the Foundation's Statement of Activities are as follows:

| <u>CFDA Number</u> | <u>Program Name Amount</u>  | <u>Provided as Fiscal Agent</u> |
|--------------------|---|---------------------------------|
| 43.NNM07AA14A      | The Development of Innovative Advanced Composite Manufacturing Technologies | \$186,435                       |

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC.**

**Notes to Schedule of Expenditures of Federal Awards**

**December 31, 2012**

**(5) Relationship to Federal Financial Reports**

Amounts reported in the Schedule agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted as of a date subsequent to December 31, 2012.

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2012

**SCHEDULE I - Summary of the Independent Auditors' Results**

1. Type of report issued on the financial statements. Unqualified Opinion
2. Did the audit disclose any material weaknesses in internal control over financial reporting? No
3. Did the audit disclose any significant deficiencies in internal control over financial reporting? None reported
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization? No
5. Did the audit disclose any material weaknesses in internal control over major Federal programs? No
6. Did the audit disclose any significant deficiencies in internal control over major programs? None reported
7. Type of report issued on compliance for major programs. Unqualified
8. Did the audit disclose any audit findings which the independent auditor is required to report under OMB Circular A-133, Section 510(a)? Yes
9. The following is an identification of major programs:

| <u>CFDA Number</u> | <u>Name of<br/>Federal Program</u>           |
|--------------------|--|
| 66.125             | Lake Pontchartrain Basin Restoration Program |

10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was \$300,000.
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530? Yes

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2012

**SCHEDULE II – Financial Statement Findings**

None noted.

**SCHEDULE III – Federal Awards Findings**

**Finding 2012 – 1: Reporting**

**Criteria:** According to the OMB Circular A-133 Compliance Supplement, specific reports are required to be filed in order to comply with federal regulations.

**Condition:** The Federal Funding Accountability and Transparency Act (FFATA) requires on-line sub-award reporting for federally-awarded grants and contracts greater than or equal to \$25,000 beginning March 1, 2011. It requires the primary recipient to report the sub-award within 30 days from the date of the sub-award. During 2012, the Foundation awarded amounts that exceeded the FFATA reporting threshold. The Foundation did not report any sub-awards during the year under audit.

**Effect:** The Foundation is non-compliant with federal program requirements for reporting.

**Cause:** The Foundation followed the work plan approved by the federal agency requiring reporting of sub award contracts directly to the federal agency. The Foundation mistakenly believed the reporting required by FFATA was duplicative and therefore not required.

**Recommendation:** The Foundation should prepare and file the required reports as soon as possible. In addition, the Foundation should develop a process for reviewing, at a minimum, annually, the specific reporting requirements of each of its federal programs to ensure timely filing and reporting in the future.

***View of Responsible  
Official and Planned  
Corrective Action:***

*Procedures have been implemented to identify contracts and sub awards subject to FFATA regulations to ensure that all reporting requirements are being adhered to and reports are being filed timely.*

**UNIVERSITY OF NEW ORLEANS  
RESEARCH AND TECHNOLOGY FOUNDATION, INC**

**Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2012**

**Schedule of Prior Year Findings and Questioned Costs**

**There were no prior year audit findings.**